

SIDLEY & AUSTIN

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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44-1: 930-5596 TELEX 21781

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RECORDATION NO. 14716
Filed 1425

JUN 28 1985 - 10 55 AM

INTERSTATE COMMERCE COMMISSION

June 28, 1985

5-179A030

No.

Date JUN 28 1985

Fee \$ 40.00

ICC Washington, D. C.

Mr. James H. Bayne
Secretary
Interstate Commerce Commission
Room 2215
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Mr. Bayne:

Enclosed herewith are an original and one copy of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the United States Code.

The first document is a lease agreement, a primary document, dated June 19, 1985.

The names and addresses of the parties to the Lease of Railroad Equipment are as follows:

Lessor:

CONTAINER PORT OF ALBERTA
RESEARCH CORPORATION
2737 Toronto Dominion Tower
Edmonton, Alberta, CANADA
T5J 2Z1

Lessee:

CANADIAN NATIONAL RAILWAY COMPANY
935 de La Gauchetiere Street West
Montreal, Quebec, CANADA
H3B 2M9

ICC OFFICE OF
THE SECRETARY
JUN 28 9 51 PM '85
MOTOR OPERATING UNIT

James H. Bayne
J. A. Kretz

Mr. James H. Bayne
June 28, 1985
Page 2

The second document is an assignment of lease agreement, a secondary document, dated June 19, 1985. We request that this assignment be cross-indexed.

The names and addresses of the parties to the Assignment of Lease are as follows:

Owner-Lessor:	CONTAINER PORT OF ALBERTA RESEARCH CORPORATION 2737 Toronto Dominion Tower Edmonton, Alberta, CANADA T5J 2Z1
Trustee:	THE CANADA TRUST COMPANY 110 Yonge Street Toronto, Ontario, CANADA M5C 1T4
Lessee:	CANADIAN NATIONAL RAILWAY COMPANY 935 de La Gauchetiere Street West Montreal, Quebec, CANADA H3B 2M9

A description of the equipment covered by the Lease of Railroad Equipment and the Assignment of Lease follows:

Type of Equipment:	Five-Pak Articulated Intermodal Budd/Thrall LO-PAC 2000 Well Flat Cars
Specifications:	CN Freight Equipment General Specification SS-1974 revised July, 1976, CN Specification F 50-20 dated September, 1984, Builder's Proposal dated 22 October, 1984, and Builder's letters of 22 October (2), 26 October, 8 November, 1984, 7, 8, 15 January, 6 February, and 12 March, 1985 and CN letter of 4 February, 1985.
Quantity:	82
Identification Marks:	"OWNERSHIP SUBJECT TO SECURITY AGREEMENTS FILED WITH REGISTRAR GENERAL OF CANADA AND I.C.C."

Mr. James H. Bayne
June 28, 1985
Page 3

Lessee's Road CN 683200 through CN 683589;
Numbers (Both CN 637000 through CN 637019
Inclusive)*:

A fee of \$10.00 is enclosed. Please return the originals after recordation to the undersigned at the address listed above.

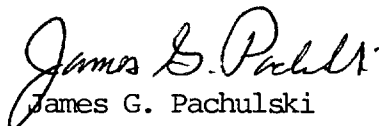
A short summary of the Lease of Railroad Equipment to appear in the index follows:

"Lease agreement between CANADIAN NATIONAL RAILWAY COMPANY, 935 de La Gauchetiere Street West, Montreal, Quebec, Canada, H3B 2M9 and CONTAINER PORT OF ALBERTA RESEARCH CORPORATION, 2737 Toronto Dominion Tower, Edmonton, Alberta, Canada, T5J 2Z1, dated June 19, 1985, covering 82 well flat cars."

A short summary of the Assignment of Lease to appear in the index follows:

"Assignment between CONTAINER PORT OF ALBERTA RESEARCH CORPORATION, 2737 Toronto Dominion Tower, Edmonton, Alberta, Canada, T5J 2Z1, and THE CANADA TRUST COMPANY, 110 Yonge Street, Toronto, Ontario, Canada, M5C 1T4, dated June 19, 1985, covering 82 well flat cars, and connected to Lease of Railroad Equipment with Recordation No. _____."

Very truly yours,


James G. Pachulski

Enclosures

* Each unit has 5 platforms and each platform is numbered consecutively.

Interstate Commerce Commission
Washington, D.C. 20423

6/28/85

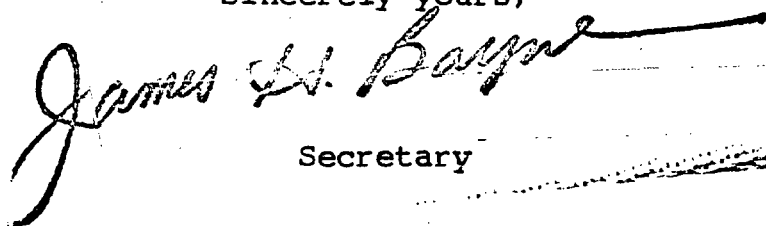
OFFICE OF THE SECRETARY

James G. Pachulski
Sidley & Austin
1722 Eye St. N.W.
Washington, D.C. 20006

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/28/85 at 10:55am and assigned re-recording number(s). 14716 & 14716-A, 14718 & 14718-A 14717 & 14719

Sincerely yours,


Secretary

Enclosure(s)

14716

RECORDATION NO. Filed 1425

JUN 28 1985 - 10 15 AM

INTERSTATE COMMERCE COMMISSION

EXHIBIT B
to
Participation Agreement

LEASE OF RAILROAD EQUIPMENT

Dated as of June 19, 1985

Between

CANADIAN NATIONAL RAILWAY COMPANY

Lessee,

and

CONTAINER PORT OF ALBERTA RESEARCH CORPORATION

Lessor.

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* This Table of Contents has been included in this document for convenience only and does not form part of, or affect any construction or interpretation of, this document.

LEASE OF RAILROAD EQUIPMENT dated as of June 19, 1985, between CANADIAN NATIONAL RAILWAY COMPANY, a body corporate duly existing under the laws of Canada (the "Lessee"), and CONTAINER PORT OF ALBERTA RESEARCH CORPORATION, a body corporate duly existing under the laws of Canada (the "Lessor").

WHEREAS:

The Lessor will enter into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with National Steel Car Limited (the "Builder") wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (the "Equipment"). The Builder is assigning its right, title and interest in the CSA, including the property in and title to the Equipment, pursuant to an Assignment of Conditional Sale Agreement (the "CSA Assignment") to The Canada Trust Company (the "Trustee"), as trustee for the holders of Secured Equipment Notes to be issued under a Deed of Trust entered into by the Lessor and the Trustee (the "Deed of Trust") pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Lessee, the Lessor, the Trustee, the Builder and London Life Insurance Company (the "Lender").

The Lessee desires to lease such number of units of the Equipment as are delivered, accepted and settled for under the CSA (such units delivered and accepted hereinafter called, collectively, the "Units") and for which Certificates of Acceptance referred to in Section 2 hereof are executed and delivered, at the rentals and upon the terms and conditions hereinafter provided.

The Lessor will assign its right, title and interest under this Lease, including the right to receive the rental payments provided for herein, to the Trustee pursuant to an Assignment of Lease (the "Lease Assignment") to secure the obligations of the Lessor under the CSA and the due payment of the Secured Equipment Notes.

NOW, THEREFORE, in consideration of the rentals to be paid and the covenants hereinafter contained, the parties hereto hereby agree as follows:

SECTION 1. Net Lease. This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except in

respect of a Unit which suffers a Casualty Occurrence and for which the Casualty Value has been paid (all as provided in Section 7 hereof) or in the case of the Lessee exercising its option pursuant to Section 15 hereof, the Lessee shall not be entitled to (a) any abatement or reduction of rent, including, but not limited to, abatements or reductions due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under any other agreement, or against the Builder or the Trustee or otherwise or (b) any set-off against rent, including, but not limited to, any set-offs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under any other agreement or against the Trustee under any agreement or otherwise; nor, except as otherwise expressly provided in Section 15 hereof, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the second paragraph of Section 7 or Section 15 hereof of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment required to be made by the Lessee hereunder, save and except for any payment made pursuant to Section 6 hereof, shall be final, and the Lessee shall not seek to recover all or any part of such payment for any reason whatsoever. The foregoing is without any prejudice whatsoever to the right of the Lessee, which is absolute and unconditional, to the quiet enjoyment, use and possession of the Equipment for the full term provided in this Lease, provided no Event of Default (as defined in Section 10 hereof) has occurred.

SECTION 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. As such agent, the Lessee shall exercise all the rights of the Lessor under the CSA and the Units shall be deemed to have been accepted and delivered only when such delivery shall have been approved by the Lessee in the manner contemplated in the CSA. The Lessee will cause an employee or agent of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor under the CSA and itself hereunder and execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in substantially the form of Schedule C hereto, which shall be deemed to form a part hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

SECTION 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, one interim rental payment on October 27, 1985 and 36 consecutive semi-annual payments, payable in arrears, on April 27 and October 27 in each year, commencing on April 27, 1986 (each of such dates being hereinafter called a "Rental Payment Date"). The interim rental payment shall be an amount equal to 0.0315068% of the Purchase Price (as defined in the CSA) for each Unit subject to the Lease for each day elapsed from and including the Closing Date (as defined in the CSA), with respect to such Unit, to and including October 26, 1985. The first 30 semi-annual payments shall each be in an amount equal to 4.83188% of the Purchase Price of each such Unit then subject to this Lease and the next six semi-annual payments in respect of such Units shall each be in an amount equal to 5.0442% of the Purchase Price of each such Unit then subject to this Lease.

All rental payments payable hereunder shall be in such coin or currency of Canada as at the time of payment shall be legal tender for the payment of public and private debts.

If any Rental Payment Date is not a business day, the rental payment otherwise payable on such Date shall then be payable on the next succeeding business day. The term "business day" as used herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Montréal or Toronto are authorized or obligated to remain closed.

The Lessee agrees to make each payment provided for in this Section 3 in funds immediately available at or prior to 11:00 a.m. local time at the place specified in the Lease Assignment.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of Sections 7, 10, 14 and 15 hereof, shall terminate on October 27, 2003.

So long as no Event of Default exists hereunder and subject to the provisions of Section 15 hereof, this Lease may not be terminated and the Lessee shall be entitled to the rights of quiet enjoyment, possession, use and assignment provided under Sections 1 and 12 hereof.

SECTION 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than three-eighths of one inch in height, the words, "OWNERSHIP SUBJECT TO SECURITY AGREEMENTS FILED WITH REGISTRAR GENERAL OF CANADA AND I.C.C.", or other appropriate words approved by the Lessor and the Trustee, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Lessor's and the Trustee's title to and interest in such Unit and the respective rights of the Lessor and the Lessee under this Lease and of the Trustee under the CSA. The Lessee will not place or permit any such Unit to be placed in operation or exercise any control over or use in any manner the same until such words shall have been so marked on both sides thereof and will replace or cause to be replaced promptly any such name and words which may be removed, defaced, obliterated or destroyed. The Lessee will not change or permit to be changed the identifying number of any Unit unless and until a statement of new number or numbers to be substituted therefor shall have been filed with the Trustee and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted

as a claim of ownership; provided, however, that the Lessee may permit the Equipment to be lettered with the names, trademarks, initials or other insignia customarily used by the Lessee or its affiliates or any operator or sublessee permitted under Section 12 hereof on railroad equipment used by it of the same or a similar type for convenience of identification of its rights to use the Equipment under this Lease, and the Equipment may be lettered in an appropriate manner for convenience of identification of the interest of the Lessee therein.

SECTION 6. Taxes. a) The Lessee agrees to pay and to indemnify and hold the Lessor and the Trustee harmless on an after tax basis from all taxes, assessments, duties, license and registration fees and other governmental charges, including penalties and interest (hereinafter collectively referred to as "Taxes"), imposed, levied or assessed by any federal, provincial or local government or taxing authority in Canada, or, if as a result of the operation, possession or use of any Unit by or through the Lessee in any foreign country, by any government or taxing authority in a foreign country, against such Unit or upon or measured by any interest therein, or upon or with respect to the purchase, ownership, delivery, leasing or possession thereof by the Lessor or the Trustee, or upon or with respect to the use, possession or operation thereof by the Lessee, or on account of or measured by the rentals, earnings or gross receipts arising pursuant to this Lease (including any payment or indemnity under this Lease), provided that the Lessee shall not be required to pay the same (or any other amount by way of indemnity of the Lessor or otherwise pursuant to this Section 6) if and so long as it shall in good faith and with due diligence and by appropriate legal or administrative proceedings contest the validity, applicability or amount thereof (but only so long as such proceedings shall stay the collection thereof and shall not involve any risk of the sale, forfeiture or loss of any Unit or any interest therein). If a claim is made against the Lessor or the Trustee for any Taxes, then the Lessor or the Trustee, as the case may be, shall use its reasonable efforts to notify the Lessee promptly and, if so requested by the Lessee, shall at the Lessee's expense contest the validity and amount of any Taxes which it may be required to pay and in respect of which it is entitled to reimbursement by the Lessee under this Section 6 so long as the rights or interests of the Lessor or the Trustee hereunder or in such Unit will not be materially endangered thereby.

b) Notwithstanding the provisions of paragraph a) of this Section 6, the Lessee shall have no obligation thereunder as to:

- (1) any Taxes on, based on or measured by the net income of the Lessor or the Trustee imposed (i) by Canada, a province or other local taxing authority in Canada or (ii) by any foreign government or any taxing authority or governmental subdivision of a foreign country to the extent allowed as a credit against income taxes imposed by Canada, a province, or other local taxing authority taking into account any applicable limitation on the aggregate amount of such credit and after assuming that all other Taxes of the Lessor or the Trustee for the same or prior periods which qualify for such credit are first allowed;
- (2) any Taxes on, based on or measured by, the net income of the Lessor or the Trustee imposed by any foreign government or any taxing authority or governmental subdivision of a foreign country by virtue of the Lessor being engaged in business in such foreign country through activities unrelated to the transactions contemplated by this Lease to the extent the Lessee's obligation as to such Taxes would otherwise exceed the amount of such Taxes which would be payable if the Lessor or the Trustee were not so engaged in such business; or
- (3) any Taxes which are or may become imposed by Canada on rental or similar payments or payments with respect to a balance of sale price or interest thereon to the Trustee being made under this Lease or the CSA to a non-resident of Canada (as defined in the Income Tax Act (Canada)).

In the event any reports with respect to Taxes are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor and the Trustee in such Units or notify the Lessor and the Trustee of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor and the Trustee.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this Section 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Taxes are paid or reimbursed by

the Lessee. The foregoing indemnity to the Trustee is made to the Trustee as trustee of the Trust Estate (as defined in the Deed of Trust).

SECTION 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) in as good operating order, repair and condition as when originally delivered, ordinary wear and tear excepted.

In the event that any Unit shall be or become lost, stolen, destroyed, damaged beyond economic repair, or permanently rendered unfit for use from any cause whatsoever or is expropriated by a governmental authority resulting in a loss of possession by the Lessee for a period of 90 consecutive days (each such occurrence being hereinafter called a "Casualty Occurrence") during the term of this Lease, or before such Unit shall have been returned in the manner provided in Section 11 or Section 13 hereof, the Lessee shall fully notify the Lessor and the Trustee with respect thereto as soon as it becomes aware of same. For the purposes hereof, the Lessee shall be deemed to be aware of a Casualty Occurrence when its Treasurer or Assistant-Treasurer shall be aware thereof. On the Rental Payment Date next succeeding the delivery of such notice (or, in the event such Rental Payment Date will occur within 20 days after delivery of such notice, on the next succeeding Rental Payment Date) (such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of such Casualty Payment Date in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and the Lessee shall become absolute owner thereof. The Lessor shall, upon request of the Lessee, after payment by the Lessee of a sum equal to the Casualty Value of any such Unit, plus an amount equal to the accrued unpaid rental for such Unit, deliver to, upon the order of the Lessee, a bill of sale (without recourse, representations or warranties) for such Unit executed by the Lessor and such other documents as may reasonably be required in order to transfer to the Lessee clear and absolute title to such Unit free and clear of all liens, security interests and other encumbrances.

The Casualty Value of each Unit as of the Casualty Payment Date for such Unit shall be the percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after the expiration of the original term of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall fully notify the Lessor and the Trustee with respect thereto, as and when provided above, and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 10% of the Purchase Price of such Unit (unless such Casualty Occurrence occurs after the term of this Lease has been extended pursuant to Section 14 hereof, in which case the amount of such Casualty Value shall be as agreed upon by the Lessor and the Lessee). Upon the making of any such payment by the Lessee in respect of any Unit, the Lessor shall, upon request of the Lessee, after payment by the Lessee of a sum equal to the Casualty Value of any such Unit, plus an amount equal to the accrued unpaid rental for such Unit, deliver to or upon the order of the Lessee a bill of sale (without recourse, representations or warranties) for such Unit executed by the Lessor and such other documents as may reasonably be required in order to transfer to the Lessee clear and absolute title to such Unit free and clear of all liens, security interests and other encumbrances.

Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Units to the Lessor in accordance with the terms of this Lease and during any storage period, at its own expense, cause to be carried and maintained public liability and property damage insurance in respect of the Units against the risks and in the amounts, if any, customarily insured against by the Lessee in respect of similar equipment owned or leased by it. Notwithstanding anything to the contrary in this Section 7, the Lessee shall be permitted to provide for customary deductibles and/or self-insurance.

SECTION 8. Reports. On or before April 1 in each year, commencing with the calendar year 1986, the Lessee will furnish to the Lessor and the Trustee an accurate statement signed by a responsible officer of the Lessee (a) setting forth as at the preceding December 31 the amount, description

and numbers of all Units then leased that have suffered a Casualty Occurrence during the preceding calendar year (or, in the case of the report to be supplied on April 1, 1986, the period from the commencement of this Lease to December 31, 1985), (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by Section 5 hereof have been preserved or replaced and (c) stating whether or not, to the best knowledge of such officer, an Event of Default has occurred and, if an Event of Default has occurred whether or not the same is continuing and what steps, if any, the Lessee has taken or is taking to cure same. The Lessor and the Trustee shall have the right (but not the obligation) at their own expense, by their respective agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times and upon notice as the Lessor or the Trustee may request during the continuance of this Lease; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or agents, for any damage, injury to, or the death of any persons exercising on behalf of the Lessor or any prospective assign of the Lessor, the rights of inspection granted hereunder.

SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. SUBJECT TO THE ASSIGNMENT TO THE LESSEE OF THE WARRANTIES OF THE BUILDER UNDER THE CSA, THE LESSOR MAKES NO WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OR MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE), it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as the interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder, including, but not limited to, any claims and rights arising under the provisions of the CSA. The foregoing provisions of this Section 9 shall not be deemed to affect the Lessee's rights of quiet enjoyment, possession, use and assignment provided under Sections 1, 4 and 12 hereof. Any amount received by

the Lessee or the Lessor as payment under any such rights or claims against the Builder shall be applied to restore the Units to the condition required by Section 7 hereof, except to the extent any such Units shall have suffered a Casualty Occurrence, in which case such amount shall be applied to the payment of the Casualty Value thereof pursuant to Section 7 hereof, and, if the Casualty Value shall have been paid, such amount shall be paid to the Lessee; provided, however, that if an Event of Default shall have occurred and be continuing such amount shall be paid to the Lessor. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters provided, however, that the Lessor may not assert any rights against the Lessee with respect to any such Certificate of Acceptance.

The Lessee agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transport of Canada, the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation, use, value or utility of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that the Applicable Laws require any alteration, replacement, modification or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense to the extent necessary for the use by the Lessee (or permitted sub-lessee) of any Unit; provided, however, that the Lessee may, in good faith, contest, with due diligence by appropriate legal proceedings, the validity

or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Lessor and the Trustee, adversely affect the property or rights of the Lessor under this Lease or of the Vendor under the CSA and the failure to comply will not impair the value or utility of the Units.

The Lessee and its affiliates, at their own cost and expense, may from time to time make such alterations, modifications and additions (including, without limitation, any special devices or assemblies at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the Department of Transport of Canada, the Interstate Commerce Commission, the United States Department of Transportation or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units and shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease.

Title to all Parts (as hereinafter defined) incorporated in or installed as part of any Unit shall without further act vest in the Lessor and the Trustee as their respective interests may appear in such Unit itself in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for any such original Part, (ii) such Part is required to be incorporated in or installed as part of the Unit pursuant to the terms of the second paragraph of this Section 9 or (iii) notwithstanding the provisions of the third paragraph of this Section 9, such Part cannot be readily removed from the Unit to which it relates without material damage thereto or without diminishing or impairing the value or utility which such Unit would have had at such time had such alteration, modification or addition not occurred. In all other cases, if no Event of Default under Section 10 hereof (or other event which after lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, title to Parts incorporated in or installed as part of any Unit as a result of any Addition shall vest in the Lessee. The term "Part" for the

purposes of this paragraph shall mean any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Trustee from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith (including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, but excluding any items the Lessor has agreed to pay pursuant to Paragraph 13 of the Participation Agreement), arising out of or as the result of the occurrence of an Event of Default under this Lease or any event which with notice or lapse of time or both would become an Event of Default under this Lease, the ownership of any Unit, the ordering, acquisition, use, possession, operation, condition, purchase, delivery, rejection, storage or return of any Unit, the compliance or noncompliance by the Lessee with any applicable law, rule or regulation with respect to the use, maintenance or operation of any Unit, or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person (except as otherwise provided in Sections 8, 11 and 13 of this Lease); provided, however, that the Lessee shall not be required to indemnify the Lessor in respect of wilful misconduct or negligence on the part of the Lessor or its employees or agents or in respect of a breach by the Lessor of any of its obligations hereunder. The indemnities arising under this paragraph shall continue in full force and effect with respect to all events, facts, conditions or other circumstances occurring or existing prior to the expiration or termination of the term of this Lease and return of the Units as provided in Section 11 or 13 of this Lease, notwithstanding such expiration, termination and return. Anything herein to the contrary notwithstanding, the Lessee shall not be obligated to indemnify under this Lease in respect of any charge, claim, expense, loss or liability attributable to a Unit which, and to an event occurring after such Unit, shall have been assembled, delivered, stored and transported to the Lessor pursuant to Sections 11 or 13 hereof or after this Lease with respect to such Unit has otherwise terminated. In case any action, suit or proceeding is brought against the Lessor or the Trustee in connection with any claim indemnified against hereunder, the Lessee may, at the Lessee's expense, resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee

and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, legal fees and expenses) incurred by the Lessor or the Trustee, as the case may be, in connection with such action, suit or proceeding. The Lessee and the Lessor each agrees to give the other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this Section 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, it shall be subrogated to any right of the Lessor or the Trustee, as the case may be, in respect of the matters against which indemnity has been given. Any payments received by the Lessor or the Trustee from any person (except the Lessee) as a result of any matter with respect to which the Lessor or the Trustee, as the case may be, has been indemnified by the Lessee pursuant to this Section 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any instalments of principal or interest payable under the CSA or the Participation Agreement or a guarantee of the residual value or useful life of the Equipment.

SECTION 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein called an "Event of Default") shall occur:

(a) default shall be made in payment of any amount provided in Section 3 or Section 7 hereof and such default shall continue for five business days after notice thereof to the Lessee;

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor or the Trustee to the Lessee specifying the default and demanding that the same be remedied;

(c) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

(d) any representation or warranty made by the Lessee in the Participation Agreement or in any document or certificate furnished by the Lessee to the Lessor or the Trustee in connection herewith or therewith or pursuant hereto or thereto shall be incorrect in any material respect adverse to the Lessor or the Trustee and such condition, which caused such misrepresentation or breach of warranty, shall continue unremedied for a period of 30 days after the Lessee becomes aware of such condition; or

(e) any proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, as the case may be, shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for its respective property in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced, the whole subject to the Lessee's rights of quiet enjoyment, possession, use and assignment under Sections 1, 4 and 12 of this Lease;

then, in any such case, the Lessor, at its option, may,

(A) proceed by appropriate court action or actions to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(B) by notice in writing to the Lessee, terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its

agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Unit which represents the excess of (1) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (2) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 9% per annum discount, compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, together with any damages and expenses, including reasonable legal fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of the rental; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee

pursuant to the preceding clauses (x) and (y) of this subparagraph (B) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale (in addition to the amounts payable pursuant to Sections 6 and 9 hereof), as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies, except as otherwise provided above, and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such non-performance or non-compliance could, with the lapse of time and/or demand or failure to take action, result in an Event of Default under clauses (a) or (b) of this Section 10, the Lessor itself may (but shall not be obligated to), upon notice to the Lessee, perform or comply with such agreement, covenant or condition to the extent provided in Article 15(e) of the CSA, and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance shall be payable to the Lessor by the Lessee.

The remedies in this Lease provided in favour of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver

of any such right upon the continuation or recurrence of any such contingencies or similar contingencies, and a waiver of any such right on one occasion shall not constitute a waiver of such right as to any other occasion and shall not be effective unless in writing signed by the Lessor.

SECTION 11. Return of Units upon Default. If this Lease shall terminate pursuant to Section 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor and shall give prompt telegraphic and written notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit returned to the Lessor pursuant to this Section 11 shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear and modifications, if any, permitted by this Lease excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

- (a) forthwith and in the usual manner cause such Units to be placed upon such storage tracks of the Lessee as the Lessor reasonably may designate;
- (b) permit the Lessor to store such Units on such tracks until such Units have been sold, leased or otherwise disposed of by the Lessor; and
- (c) cause the Units to be transported to any reasonable place on any lines of the Lessee or to the point of interconnection with any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or its employees or agents, for any damage, injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective

purchaser, lessee or user, the rights of inspection granted hereunder.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

SECTION 12. Assignment; Possession and Use. The Lessor agrees that it will not assign any of its rights under this Lease without the prior written consent of the Lessee (the Lessee hereby consenting to, and agreeing to become a party to, the Lease Assignment), and the Lessee shall be under no obligation to any assignee of the Lessor except under written notice of such assignment from the Lessor.

So long as no Event of Default or event which with notice or lapse of time would become an Event of Default exists hereunder, the Lessee shall be entitled to the quiet enjoyment, use and possession of the Units and, without the Lessor's consent for a period of less than one year and with the Lessor's prior consent which will not be unreasonably withheld for periods of one year or more, to sublease the Units to, or to permit their use by, or to enter into an operating agreement with respect to the Units with, a user incorporated in Canada or in the United States of America (or any state thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or over which the Lessee or such user has trackage rights or other operating rights or over which any of their railroad equipment is regularly operated pursuant to contract and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or runthrough service, but only upon and subject to all the terms and conditions of this Lease, no such sublease or agreement for use by others shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Any such sublease or operating agreement shall be subject to the rights and remedies of the Lessor under this Lease in respect of the Units covered by such sublease or agreement upon the occurrence of an Event of Default hereunder.

The Lessee, at its own expense, will promptly cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against the Lessor or the Trustee not related to the ownership or leasing of the Units and except any lien created by the CSA) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Lessor or the Lessee therein, except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; furthermore, the Lessee shall be under no obligation to discharge any such right, lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the reasonable opinion of the Lessor and the Trustee, adversely affect the title, property or rights of the Lessor hereunder.

Without restriction to the foregoing paragraph, the Lessor agrees that it will, at its own cost and expense, and in its individual capacity, promptly take such action as may be necessary to duly discharge any liens or encumbrances on any of the Units which result from claims of any nature whatsoever arising by, through or under the Lessor.

SECTION 13. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or any extended term of this Lease, the Lessee will (unless the Units are sold to the Lessee or shall have suffered a Casualty Occurrence), at its own cost and expense, at the request of the Lessor, deliver possession of the Units to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate and permit the Lessor to store such Units on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90-day period, to a final destination at any reasonable place on any lines of the Lessee, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee, the movement and storage of the Units to be at the expense and risk of the Lessee during such 90-day period. During any such storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or

agents, for any damage, injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted hereunder. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a judgment, order or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this Section 13 shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear and modifications, if any, permitted by this Lease excepted.

SECTION 14. Renewal Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 90 days prior to the end of the original term or any extended term of this Lease, as the case may be, elect to extend the term of this Lease in respect of some or all the Units then covered by this Lease, for any number of additional successive two-year periods commencing on the scheduled expiration of the original term or extended term of this Lease, as the case may be. Any such extension shall be on the same terms and conditions as are contained in this Lease, except as to the amount of rentals, which shall be at a Fair Market Rental (as hereinafter defined), payable semi-annually in arrears, and except as to applicable Casualty Values, which shall be as agreed upon between the Lessor and the Lessee at the time of such extension, or as shall be determined by appraisal as set forth below.

The Fair Market Rental shall be determined for each extended term of this Lease on the basis of, and shall be equal in amount to, the rental for a two-year renewal of this Lease, which would obtain in an arm's-length transaction between an informed and willing lessee and an informed and willing lessor, under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental price and assuming that the Units have been collected in one place directed by the Lessor, but there shall be excluded any value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to any of the provisions hereof; provided, however, that the Fair Market Rental shall be determined as provided in the preceding sentences on the basis of the term and other terms and conditions of the Lease being considered.

Casualty Values for each Unit subject to any such extension of this Lease for the term of any such extension shall be determined on the basis of, and shall be equal in amount to, the value which would obtain for any such Unit immediately prior to a Casualty Occurrence with respect thereto in an arm's-length transaction between an informed and willing buyer-user and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current user shall not be a deduction from such value but there shall be excluded any value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to any of the provisions hereof.

If, after 30 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or Casualty Values of the Units, such rental or Casualty Values shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 10 business days after such notice is given, each party shall appoint an independent appraiser within 10 business days after such notice is given, and the two appraisers so appointed shall within 10 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 10 business days after such notice is given, either party may apply, to make such appointment, to a judge of the Superior Court of Québec and both parties shall be bound by the appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental and/or Casualty Values of the Units then subject to this Lease or any extended term thereof, within 10 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental and/or Casualty Values of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental and/or Casualty Values. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and/or Casualty Values and shall be

in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

SECTION 15. Lessee's Options to Purchase. The Lessee may purchase all but not less than all of the Units then subject to this Lease on October 27, 2000 for a purchase price equal to twenty-five per cent (25%) of the Purchase Price of such Units (hereinafter the "Option Price"). Such election will be exercisable by written notice of the Lessee to the Lessor not less than 180 days prior to the 30th Rental Payment Date and the Lessee will become the absolute owner of the Units on the later of the Option Price being received by the Lessor in accordance with the provisions hereof or the 30th Rental Payment Date and thereupon the Lessee shall have no further obligations hereunder. Upon payment of the Option Price of any Unit as aforesaid, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without warranties) for such Unit such as will transfer to the Lessee such title to such Unit as the Lessor derived from the Trustee, free and clear of all liens, security interests and other encumbrances arising through the Lessor together with a statement to be obtained by the Lessor from the Trustee that the title to such Units is free and clear of all liens, security interests and other encumbrances arising through the Trustee.

Without prejudice or restriction to the foregoing, in the event that, while this Lease is still in effect, any proceedings under any laws relating to bankruptcy, insolvency or other law or laws affecting the enforcement of creditor's rights generally or which may result in modifying, affecting or rendering ineffective the Lease or the right of quiet possession, use and enjoyment of the Lessee thereunder are commenced by or against the Lessor, the Lessee may forthwith purchase the Equipment by written notice to the Lessor, or its assign, and the Trustee. The Lessee shall become vested with all the rights of the Lessor under the CSA, and otherwise, forthwith upon receipt of such notice by the Lessor, or its assign, and the Trustee provided that the Lessee has agreed to become and has become, to the reasonable satisfaction of the Trustee, directly liable for all the payments to be made under the Secured Equipment Notes (as defined in the Deed of Trust), such assumption by the Lessee being the price payable by it to exercise such option. The option created by the second paragraph of this Section 15 is not assignable by the Lessee.

SECTION 16. Recording. The Lessee will cause this Lease, the CSA and any assignment hereof or thereof, including the CSA Assignment and the Lease Assignment, to be filed in accordance with section 86 of the Railway Act (Canada) and with 49 U.S.C. # 11303, in the appropriate central registries pursuant to the Conditional Sales Acts of British Columbia and Alberta and pursuant to the Personal Property Security Acts of Saskatchewan, Manitoba and Ontario. The Lessee will undertake the filing, registering, deposit and recording required of the Lessor under the CSA and will from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law (including renewals of the filings contemplated herein) or reasonably requested by the Lessor or the Trustee for the purpose of proper protection, to their satisfaction, of the Trustee's and the Lessor's respective interest in the Units, or for the purpose of carrying out the intention of the Deed of Trust, this Lease, the CSA, the CSA Assignment and the Lease Assignment. The Lessee will promptly furnish to the Trustee and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 16. The filings referred to in the first sentence of this Section 16 shall be made prior to the delivery and acceptance hereunder of any Unit.

SECTION 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any non-payment of rentals and other amounts due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to interest from the date on which such payment was due at a rate per annum of 11.5%.

SECTION 18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when delivered to such other party or deposited in the mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at 2737 Toronto Dominion Tower,
Edmonton, Alberta, T5J 2Z1, Attention of the
President; and

if to the Lessee, at 935 de La Gauchetiere Street
West, Montréal, Québec H3B 2M9, Attention of
Treasurer;

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing. Any certificate, document or report required to be furnished by any party hereto to the other parties shall be delivered to the address set forth above for such party. Any notice, certificate, document or report required to be furnished by any party to the Trustee shall be delivered to the Trustee at its applicable address for notices under the Participation Agreement.

SECTION 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement, the Lease Assignment and the exhibits thereto, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

SECTION 20. Governing Law. The terms of this Lease and all rights and obligations hereunder shall be construed in accordance with and governed by the laws of Ontario and the federal laws of Canada applicable therein.

SECTION 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Trustee shall be deemed to be the

original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual dates of execution hereof by the parties hereto are dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first above written.

CANADIAN NATIONAL RAILWAY
COMPANY

[Seal]

Attest:



by:

James H. Mann
Senior Vice-President and Chief
Financial Officer

by:

D. A. Lussell
Deputy Secretary

CONTAINER PORT OF ALBERTA
RESEARCH CORPORATION

[Seal]

Attest:

by: _____

original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual dates of execution hereof by the parties hereto are dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first above written.

CANADIAN NATIONAL RAILWAY
COMPANY

[Seal]

by: _____

Attest:

by: _____

CONTAINER PORT OF ALBERTA
RESEARCH CORPORATION

[Seal]

by: *MPA*

Attest:

)
) SS. :
)

ts Board of Direct
the foregoing in
1.

Notary Public in and for the
Province of Ontario

CITY OF


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) SS. :
)

Notary Public

My Commission Expires

PROVINCE OF ALBERTA)
CITY OF EDMONTON) ss.:

On this 19 June 1985, before me personally appeared A. Tottup, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of CONTAINER PORT OF ALBERTA RESEARCH CORP., that one of the seals affixed to the foregoing instrument is the seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.



Notary Public

[Notarial Seal]

My Commission Expires

SCHEDULE A
TO

LEASE OF RAILROAD EQUIPMENT

Type	Specifications	Builder	Lessee's Road Numbers (Both Inclusive)*	Quantity	Estimated Unit Price	Estimated Total Price	Estimated Time and Place of Delivery
Five-Pak Articulated Intermodal Budd/Thrall LO-PAC 2000 well flat cars	CN Freight Equipment General Specification SS-1974 revised July, 1976, CN Specification F 50-20 dated September, 1984, Builder's proposal dated 22 October, 1984, and Builder's letters of 22 October (2), 26 October, 8 November, 1984, 7, 8, 15 January, 6 February, and 12 March 1985 and CN letter of 4 February, 1985.	National Steel Car Limited, Hamilton, Ontario	See below	See below	See below	See below	June to September 1985, Hamilton, Ontario
for container and/or trailer use	as above		CN 683200 through CN 683589	78	Cdn \$234,310	Cdn \$18,276,180	
for container (double stacked) use	as above, plus Builder's letters 16, 24 April and 8 May, 1985, and CN letters of 1, 3, 9 and 28 May, 1985.		CN 637000 through CN 637019	4	Cdn \$234,720	Cdn \$ 938,880 \$19,215,060	

* each unit has
5 platforms
and each
platform is
numbered
consecutively

SCHEDULE B TO LEASE

Casualty Values

The Casualty Value of any Unit to be paid on a Casualty Payment Date during the primary term (i.e. the period from the date hereof to October 27, 2003) shall be an amount equal to the percentage of the Purchase Price of such Unit set forth opposite such Casualty Payment Date in the following schedule.

	<u>RENTAL PAYMENT PERIOD</u>	<u>PERCENTAGE OF ORIGINAL COST</u>
0	October 27, 1985	100.000000%
1	April 27, 1986	97.500000%
2	October 27, 1986	95.000000%
3	April 27, 1987	92.500000%
4	October 27, 1987	90.000000%
5	April 27, 1988	87.500000%
6	October 27, 1988	85.000000%
7	April 27, 1989	82.500000%
8	October 27, 1989	80.000000%
9	April 27, 1990	77.500000%
10	October 27, 1990	75.000000%
11	April 27, 1991	72.500000%
12	October 27, 1991	70.000000%
13	April 27, 1992	67.500000%
14	October 27, 1992	65.000000%
15	April 27, 1993	62.500000%
16	October 27, 1993	60.000000%
17	April 27, 1994	57.500000%
18	October 27, 1994	55.000000%
19	April 27, 1995	52.500000%
20	October 27, 1995	50.281520%
21	April 27, 1996	48.340828%
22	October 27, 1996	46.288546%
23	April 27, 1997	44.118258%
24	October 27, 1997	41.823178%
25	April 27, 1998	39.396132%
26	October 27, 1998	36.829530%
27	April 27, 1999	34.115348%
28	October 27, 1999	31.245101%
29	April 27, 2000	28.209815%
30	October 27, 2000	25.000000%
31	April 27, 2001	22.500000%
32	October 27, 2001	20.000000%
33	April 27, 2002	17.500000%
34	October 27, 2002	15.000000%
35	April 27, 2003	12.500000%
36	October 27, 2003	10.000000%

SCHEDULE C TO LEASE

Certificate of Acceptance

To: Container Port of Alberta Research Corporation
2737 Toronto Dominion Tower
Edmonton, Alberta
T5J 2Z1

-and-

National Steel Car Limited
602 Kenilworth Ave. N.
P.O. Box 450
Hamilton, Ontario
L8N 3J4

I, the duly authorized representative of Container Port of Alberta Research Corporation (the "Owner-Lessor" or the "Lessor") and Canadian National Railway Company (the "Lessee"), for the purposes of the Conditional Sale Agreement dated as of June 19, 1985, between National Steel Car Limited and the Owner-Lessor or the Lessor and the Lease of Railroad Equipment dated as of June 19, 1985, between the Lessee and the Lessor, DO HEREBY CERTIFY that there has been inspected on behalf of the Lessee and the Lessor and found to be completed and marked in accordance with the said Conditional Sale Agreement and Lease and the applicable specifications, requirements and standards referred to in said Conditional Sale Agreement.

I do further certify that there is plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than three-eighths of one inch in height, the words, "OWNERSHIP SUBJECT TO SECURITY AGREEMENTS DATED JUNE 19, 1985 FILED WITH REGISTRAR GENERAL OF CANADA AND I.C.C.".

I further certify that there has been delivered to the Owner-Lessor or the Lessor at [Hamilton, Ontario], and fully and finally accepted by me on behalf of the Lessee and the Lessor (both under the said Conditional Sale Agreement and the said Lease), the following units of railroad equipment constructed by National Steel Car Limited pursuant to said Conditional Sale Agreement:

Description

Quantity

No.

Dated _____

By: _____
Inspector and Authorized
Representative of the
Lessor and Lessee

District of Columbia)
)
City of Washington)

I, Kathleen L. Smith, a notary public for the District of Columbia, do hereby swear that on this 27th day of June, 1985, I have compared a copy of the original document entitled "Lease of Railroad Equipment dated as of June 19, 1985 between Canadian National Railway Company Lessee, and Container Port of Alberta Research Corporation Lessor" and found the copy to be complete and identical in all respect to the original documents.

Kathleen L. Smith
Notary Public

My Commission Expires May 14, 1990